

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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TO SECSTATE WASHDC PRIORITY 3391

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPT. PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN AUGUST - PROVISIONAL

1. SUMMARY: JAPANESE PRESS HIGHLIGHTING ADVERSE SWING IN OVERALL
BALANCE TO DEFICIT \$270 MIL IN PROVISIONAL AUG B/P STATISTICS.
THIS MAINLY DUE TO NET OUTFLOW IN LONG-TERM CAPITAL ACCOUNT
AND LARGER OUTFLOWS OF NON-MONETARY SHORT-TERM FUNDS. JAPAN'S
OFFICIAL RESERVES RECORDED SHARP DECLINE OF \$545 MIL IN AUG.
END SUMMARY.

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2. THE LONG-TERM CAPITAL ACCOUNT SHIFTED TO NET OUTFLOW OF

\$10 MIL IN AUG IN CONTRAST TO INFLOW OF \$148 MIL IN JULY. MOF SOURCES NOTED FOREIGN BUYING AND SELLING OF JAPANESE STOCKS WERE IN BALANCE IN AUG IN CONTRAST TO EXCESS BUYING OF \$18 MIL IN JULY. FOREIGN NET PURCHASE OF JAPANESE BONDS ALSO DECLINED TO \$100 MIL FROM A RECORD \$243 MIL REGISTERED IN PRIOR MONTH. AS RESULT, AUG FOREIGN NET PURCHASE OF JAPANESE SECURITIES DECLINED TO LESS THAN HALF OF JULY LEVEL. INVESTMENT IN JAPANESE SECURITIES BY NON-RESIDENTS WILL DECREASE IN THE MONTHS AHEAD REFLECTING DECLINING INTEREST RATES IN JAPAN, MOF SOURCES SAID. THUS MOF PREDICTS SMALL DEFICITS IN JAPAN'S LONG-TERM CAPITAL ACCOUNT AND BASIC BALANCE FOR THE MONTHS AHEAD. BOND ISSUES ABROAD BY JAPANESE ENTERPRISES ALSO SLOWED DOWN IN AUG, TOTALING \$64 MIL AS COMPARED TO \$149 MIL IN JULY. ON THE OTHER HAND, LENDING ABROAD AND OVERSEAS DIRECT INVESTMENT BY JAPANESE PRIVATE ENTERPRISES STAYED AT USUAL MONTHLY LEVEL IN AUG, MOF OFFICIAL ADDED. OUTFLOWS OF SHORT-TERM NON-MONETARY CAPITAL (INCLUDING ERRORS AND OMISSIONS) ROSE TO \$250 MIL IN AUG IN COMPARISON WITH \$109 MIL IN JULY. IN ADDITION, THE COMMERCIAL BANKS IMPROVED THEIR NET EXTERNAL SHORT-TERM POSITION BY OUTFLOWS OF \$240 MIL IN CONTRAST TO INFLOWS IN JULY OF \$330 MIL. THESE FACTORS CAUSED DOWNWARD PRESSURE ON THE EXCHANGE RATE DURING AUG AND OFFICIAL RESERVES WERE REDUCED BY \$545 MIL. THE CURRENT ACCOUNT, ON THE OTHER HAND, WAS LITTLE CHANGED RECORDING \$10 MIL DEFICIT IN AUG (PROVISIONAL) AS AGAINST \$18 MIL SURPLUS IN JULY.

3. UNADJUSTED TRADE SURPLUS DECLINED \$24 MIL FROM JULY TO REACH \$510 MIL IN AUG. NET PAYMENTS FOR SERVICES AND TRANSFERS WERE \$520 MIL, REMAINING AT THE USUAL MONTHLY LEVEL. ON SEASONALLY ADJUSTED BASIS, TRADE SURPLUS INCREASED \$50 MIL TO REACH \$387 MIL LEVEL IN AUG. EXPORTS (F.O.B., SEASONALLY ADJUSTED) DECREASED \$68 MIL (1.6 PERCENT) AND IMPORTS (.O.B., SEASONALLY ADJUSTED) DROPPED \$118 MIL (2.9 PERCENT).

4. OVERALL BALANCE REGISTERED \$270 MIL DEFICIT. DECREASE IN COMMERCIAL BANKS' SHORT-TERM NET POSITION WAS \$240 MIL, UNCLASSIFIED

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AND DEFICIT OF OFFICIAL SETTLEMENTS BALANCE WAS \$510 MIL. AUG PUBLISHED OFFICIAL RESERVES DECREASED AS MUCH AS \$545 MIL FROM JULY LEVEL TO \$14,090 MIL, LARGEST MONTHLY DROP IN PAST ONE AND HALF YEARS. GOLD AND FOREIGN EXCHANGE TOTALED \$12,789 MIL, GOLD TRANCHE \$778 MIL, AND SDR'S \$523 MIL. AUG OFFICIAL RESERVES DECLINE WAS MAINLY DUE TO FREQUENT BOJ INTERVENTION INTO TOKYO FOREX MARKET TO KEEP YEN SPOT FOREX RATES FROM FALLING BELOW 298 YEN PER A U.S.

DOL. MOF OFFICIALS WITHHELD ANY COMMENT ON THIS MATTER.
BOJ REPORTEDLY SOLD MORE THAN \$700 MIL IN THE MARKET IN
AUG.

5. FOLLOWING ARE PRELIMINARY MOF DATA ON AUG BALANCE
OF PAYMENTS IN MIL DOLLARS (IMF BASIS, NOT SEASONALLY
ADJUSTED). RECEIPTS AS WELL AS INCREASE IN RECEIPTS OR
DECREASE IN PAYMENTS ARE SHOWN AS PLUS; QUOTE MIN
UNQUOTE INDICATES OPPOSITE.

	AUG	JULY	
PROVISIONAL REVISED CHANGE			
(1) CURRENT BALANCE	MIN 10	18 MIN 28	
TRADE BALANCE	510	534 MIN 24	
EXPORTS	4,320	4,704 MIN 384	
IMPORTS	MIN 3,810	MIN 4,170 360	
SERVICES AND			
TRANSFERS	MIN 520	MIN 516 MIN 4	
(2) LONG-TERM CAPITAL	MIN 10	148 MIN 158	
(3) BASIC BALANCE	MIN 20	166 MIN 186	
(4) NON-MONETARY SHORT-			
TERM CAPITAL AND			
ERRORS AND OMIS-			
SIONS COMBINED	MIN 250	MIN 109 MIN 141	
(5) OVERALL BALANCE	MIN 270	57 MIN 327	
(6) COMMERCPAL BANKS			
SHORT-TERM NET			
POSITION	MIN 240	330 MIN 570	
(7) OFFICIAL SETTLE-			
MENTS BALANCE	MIN 510	387 MIN 897	

6. SEASONALLY ADJUSTED TRADE DATA (IMF BASIS) AS
FOLLOWS:

	AUG	JULY
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	PROVISIONAL REVISED CHANGE		
EXPORTS	4,282	4,350	MIN 68
IMPORTS	MIN 3,895	MIN 4,013	118
BALANCE	387	337	50

7. NOTE: RATES OF EXCHANGE USED BY MOF TO CONVERT TO
DOLLAR BASIS WERE 297.92 YEN PER DOLLAR FOR AUG 1975
AND 296.17 YEN PER DOLLAR FOR JULY 1975.
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